

THE PRESIDENT'S FINANCIAL POLICY ITS CHIEF TOPIC.

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Specie Resumption, Repeal of the Legal Tender Act and Free Banking the Specifics.

CONDITION OF THE SOUTH.

The Constitutional Amendments To Be Enforced.

RELATIONS WITH OTHER POWERS

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THE BURDEN OF THE WORKINGMAN.

It seems to me that nothing is clearer than that the greater part of the burden of existing prostration, for the want of a sound financial system, falls upon the workingman, who must, after all, produce the wealth, and the salaried man who superintends and conducts business. The burden falls upon them in two ways: by the deprivation of employment and by the decreased purchasing power of their salaries.

THE PRESIDENT'S REMEDIES.

It is the duty of Congress to devise the method of correcting the evils which are actually existing and not to make a law which seems to be as absolutely necessary to a return to specie payments—the first great requisite in a return to prosperity.

REPEAL OF THE LEGAL TENDER.

The legal tender clause of the law authorizing the issue of currency by the national government should be repealed, to take effect as to all contracts entered into after a day fixed in the repealing act; not to apply, however, to payments of salaries by government, or for other expenditures now provided for by law to be paid in currency. In the interval pending between the repeal and final resumption provision should be made by which the Secretary of the Treasury can obtain gold as it may become necessary from time to time from the date when specie redemption commences. To this might and should be added a revenue sufficiently in excess of expenses to insure an accumulation of gold in the Treasury to sustain redemption.

FREE BANKING.

With resumption, free banking may be authorized with safety, giving the full protection to bill holders which they have under existing laws. Indeed I would regard free banking as essential. It would give proper elasticity to the currency. As more currency should be required for the transaction of legitimate business new banks would be started, and in turn they would wind up, and the amount of currency would be a superabundance of currency. The experience and judgment of the people can best decide just how much currency is required for the transaction of the business of the country. It is unsafe to leave the settlement of this question to Congress, the secretary of the Treasury or the Executive. Congress should make the regulation under which banks may exist, but should not make banking a monopoly by limiting the amount of redeemable paper currency that shall be authorized. Such importance do I attach to this subject and so earnestly do I commend it to your attention that I give it prominence by introducing it at the beginning of this Message.

FRIENDLY RELATIONS WITH OTHER POWERS.

During the past year nothing has occurred to disturb the general friendly and cordial relations of the United States with other Powers. The correspondence submitted herewith between the government and its diplomatic representatives, also with the representatives of other countries, shows a satisfactory condition of all questions between the United States and the most of these countries, and with few exceptions, to which reference is heretofore made, the absence of any points of difference to be adjusted.

THE UNITED STATES AND BELGIUM.

The notice directed by the resolution of Congress of June 17, 1874, to be given to terminate the convention of July 17, 1858, between the United States and Belgium has been given and the treaty will accordingly terminate on the 1st day of July, 1875. This convention secured to certain Belgian vessels entering the ports of the United States exceptional privileges which are not accorded to other vessels. Other features of the convention have proved satisfactory, and have tended to the cultivation of mutually beneficial commercial intercourse and friendly relations between the two countries. I hope that the negotiations which have been invited will result in the celebration of another treaty which may tend to the interests of both countries.

CHINA—THE FORMOSA DIFFICULTY.

Our relations with China continue to be friendly. During the past year the fear of hostilities between China and Japan, growing out of the landing of an armed force upon the Island of Formosa by the latter, has occasioned uneasiness. It is earnestly hoped, however, that the difficulties arising from this cause will be adjusted, and that the advance of civilization in these empires may not be retarded by a state of war. In consequence of the part taken by certain citizens of the United States in this expedition, our representatives in those countries have been instructed to impress upon the governments of China and Japan the necessity of special attention. I believe firmly that there can be no prosperous and permanent revival of business and industries until a policy is adopted, with legislation to carry it out, looking to a return to a specie basis.

EXPANSION—DEBTORS AND SPECULATORS.

It is easy to conceive that the debtor and speculative classes may think it of value to them to make so-called money abundant until they can throw a portion of their burdens upon others; but even these, I believe, would be disappointed in the result if a course should be pursued which will keep in doubt the value of the legal tender medium of exchange. A revival of productive industries is needed by all classes and by none more than the holders of property of whatever sort, with debts to be paid. The realization upon its sale. But, admitting that these classes of citizens are to be benefited by expansion, would it be honest to give it? Would not the general loss be too great to justify such relief? Would it not be just as honest and prudent to authorize each debtor to issue his own legal tenders to the extent of his liabilities? Then, to do this would it not be safer, for fear of overissue by unscrupulous creditors, to say that all debt and obligations are outlived in the United States, and now we commence anew, each possessing all he has at the time free from incumbrance.

DELAY OF SPECIE RESUMPTION IS DISHONESTY.

These propositions are too absurd to be entertained for a moment by thinking or honest people. Yet every delay in preparation for final resumption partakes of this dishonesty, and is only less in degree as the hopes held out that a convenient season will at last arrive for the good work of redeeming our currency by positive action by Congress or by national disaster, which will destroy, for a time at least, the credit of the individual and the State at large. A sound currency might be reached by total bankruptcy and discredit of the integrity of the nation and of individuals.

WHAT CONGRESS CAN DO.

I believe it is in the power of Congress at this session to devise such legislation as will renew confidence, revive all the industries, start us on a career of prosperity to last for many years and to save the credit of the nation and of the people. Steps toward the return to a specie basis are the great requisites to be sought for end. There are others which may be taken upon hereafter.

DISADVANTAGES OF A DEPRECIATED CURRENCY.

A national debt in a currency below that of specie in value labor under two great disadvantages. First, having no exchange for the world's acknowledged medium of exchange—gold and silver, the other departments of the country because there is no demand for their use. Second, the medium of exchange in use being of a fluctuating value, for after all it is only worth just what it will purchase of gold and silver metals having an intrinsic value just in proportion to the honest labor it takes to produce them. A larger margin must be allowed for profit by the manufacturer and producer. It is months from the date of production to the date of realization. Interest on capital must be charged and the risk of fluctuation in the value of that which is to be received in payment added. Hence high prices, acting as a protection to the foreign producer, who receives nothing in exchange for the product of his skilled labor except a currency good at a staple value the world over.

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TREATIES OF EXTRADITION.

Since my last annual Message the exchange has been made of affairs in some of the Southern States with Belgium, Ecuador, Peru and Salvador; also of a treaty of commerce and navigation with Peru and one of commerce and consular privileges with Ecuador. All of which have been claimed, as has also a declaration with Russia with reference to trade matters.

REPORT OF THE SECRETARY OF THE TREASURY.

The report of the Secretary of the Treasury, which by law is made directly to Congress and indirectly to the people, and which contains the receipts and expenditures of the government for the last fiscal year, the amount received from each source of revenue and the amount paid out by the government, is herewith submitted.

THE TREATY OF WASHINGTON.

The legislation necessary to extend to the colony of Newfoundland certain articles of the Treaty of Washington, which was signed at Washington, D. C., on the 8th day of September, 1794, and which was proclaimed on the following day. A copy of the proclamation is submitted herewith.

ALABAMA CLAIMS COMMISSION.

The report of the Alabama Claims Commission, appointed under the act of March 19, 1852, for surveying and marking the boundary between the United States and the British Possessions on the Lake of the Woods to the summit of the Rocky Mountains, is herewith transmitted. I am happy to announce that the survey work of the Commission has been completed, and the entire line from the north-west corner of the Lake of the Woods to the summit of the Rocky Mountains has been run and marked on the surface of the earth.

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THE SPANISH AMERICAN STRIFE.

There has been no change in our relations with the independent States of this hemisphere which were formerly under the dominion of Spain.

MEXICO—MARAUDING ON THE FRONTIER.

Marauding on the frontiers between Mexico and Texas still frequently takes place, despite the vigilance of the United States troops and the efforts of this government to the effectual suppression of the acts of war.

THE AMERICAN COMMISSIONERS.

From a report upon the condition of the business before the American and Mexican Commissions, dated October 23, 1874, it appears that of the 1,017 claims filed on the part of citizens of the United States, 483 had been disposed of, and 534 remained to be disposed of, and of the 908 claims filed against the United States, 407 had been disposed of, and 501 remained to be disposed of.

THE ARGENTINE REPUBLIC.

The strife in the Argentine Republic is to be deplored, both on account of the parties thereto and on account of the probability of those engaged in the trade, to that quarter of whom the United States are among the principal. As yet, no violation of our neutrality rights, which, as well as our duties in that respect, it shall be my regret to announce that no further payment has been received from the government of Venezuela on account of awards in favor of citizens of the United States.

THE DEPLORABLE CIVIL WAR IN CUBA.

The deplorable civil war in Cuba continues without any marked change in the relations of the United States and Spain in regard to the insurrection. Six years of strife gives the insurrection a character of tenacity of its adherence, together with the absence of manifested power of suppression on the part of Spain, cannot be considered as a matter of self-interest.

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